

AGENDA ITEM IRS #5

DATE 01-15-04

Memorandum

Financial Services Department



Date: January 7, 2003
To: Mayor and Council
From: Jerry L. Hart, Financial Services Manager (8505)
Subject: Long-term Lease of 27-acres

Attached is a memo reviewed with the Finance and Diversity Committee at the December 16th meeting. This memo outlines five options regarding the use of the proceeds that the City anticipates receiving under a proposed long-term lease of the 27-acre BLM parcel located at Priest and Rio Salado to Suncor.

Staff will be presenting these options, along with a recommendation, to the full Council at the January 15th IRS session. Please let me know if you have any questions.

Memorandum



Financial Services Department

Date: December 12, 2003

To: Finance and Diversity Committee
Councilmember Pam Goronkin, Chairperson
Councilmember Len Copple, Member

From: Jerry L. Hart, Financial Services Manager (350-8505)

Subject: **Disposition of Proceeds – 27 Acre Parcel**

At the meeting of the Rio Salado Committee of the Whole held on October 7th, the Council referred the discussion on the disposition of the approximately \$8.7 million in proceeds to potentially be received by the City on the long-term lease to Suncor of the 27-acre BLM parcel (southwest corner of Priest and Rio Salado) to the Finance and Diversity Committee (FDC). Council members were asked at that time to provide ideas to the FDC on how the funds could be used. The FDC met on October 15th and November 12th to review various options regarding the use of the funds. The options are as follows:

OPTION 1 Place 100% of proceeds in Rio Salado reserve

Pros

- Will provide for expanded years of coverage of lake operation costs as development continues
- Provides funding for any unforeseen capital replacement need

Cons

- Funding will not be available for other City needs

OPTION 2 Fund Rio Salado reserve with approximately \$5 million of the proceeds; use remaining proceeds towards funding of Hayden Ferry South park property acquisition

Pros

- Will provide for expanded years of coverage of lake operation costs as development continues; however, not as many years as under Option 1
- Reduces amount of planned bonding

Cons

- Funding will not be available for other City needs

OPTION 3 Replenish Rio Salado, Rainy Day, and Self-insurance reserves

Pros

- Will replenish reserves to levels before recent drawdowns
- Will provide for expanded years of coverage of lake operation costs as development continues; however, not as many years as under Option 1
- Provides more flexibility to deal with future fiscal challenges

Cons

- Funding will not be available for other City needs

OPTION 4 Fund Rio Salado reserve with approximately \$5 million of the proceeds; temporarily place remaining proceeds in capital improvement reserve

Pros

- Will provide for expanded years of coverage of lake operation costs as development continues; however, not as many years as under Option 1
- Allows for additional Council study on best use for remaining proceeds

Cons

- Funding will not be available for other City needs

OPTION 5 Use proceeds to cover estimated funding gaps in CIP projects such as the following examples:

- **Town Lake Boathouse - \$3.2 million**
- **North Bank Linear Park - \$2.5 million**
- **West Dam Pedestrian Bridge - \$1.5 million**
- **Community Plaza and Meeting Room (between Mill Avenue bridges) - \$3.5 million**
- **Tempe Beach Park Baseball Field Bleachers/Wall Restoration - \$400,000**

Pros

- Allows for funding for projects either not funded or partially funded in current CIP budget
- Allows for opportunity for other development around lake

Cons

- Funding will not be available for other City needs
- Provides for no additional funding of the Rio Salado reserve

STAFF RECOMMENDATION

It is the staff recommendation to the Committee to select **Option 4**. Staff will be present to further discuss these options at the December 16th committee meeting.